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# The Opinion of a 'Neutral'

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THE spontaneous rapidity with which trade was again taken up immediately after the opening of the frontiers between the formerly hostile nations reminds us of two facts: that the natural necessities of a nation are stronger than all theories of emancipation or separation; and further, that the different states of the old continent are geographically too small to be self-contained and independent one from the other in their political economy.

The fact that the economic systems of the European states are linked together by nature creates between them, whether recognized or not, a certain solidarity so that important changes in the economy of one state cannot be made without a reflected effect upon its neighbors. The neutrals have, therefore, aside from a purely human interest in the general conditions of a state of the importance of Germany, good reason to follow attentively the economic developments in Germany after the war. The neighboring neutral states have to consider these developments from the following points of view:

Germany as a

Market for sale

Competitor on the home market

Supplier of its own requirements

State for social and political experiments

With the actual value of the mark, Germany can buy from its neighbors only food or raw materials for its industries; and, as both are produced only on a very limited scale, for instance in Switzerland, the importance of that country as a market for sale of neutral

products can be altogether neglected for the present. In this connection we may only mention the quite natural tendency on the part of the German buyer to treat directly with the foreign markets, without the intervention of neutral agents.

## GERMANY AS A COMPETITOR IN HOME MARKETS

As a competitor in home markets, Germany was dreaded by the neutrals or hated long before the war in many industrial branches, because the larger production, improved mechanical means, and certain methods for the furtherance of export trade enabled the German manufacturers to directly smash certain domestic industries in neighboring countries. It is, therefore, easy to understand that rumors of enormous stocks that waited only for the opening of the frontiers to flood the neighboring markets caused some alarm towards the end of the war, as particularly the constant fall of the mark might have considerably aggravated the conditions of some industries. Most fortunately, these apprehensions were well-founded only for a small part.

As soon as the German market was opened again, the enormous demand of the world's trade produced an immediate and important increase of the German prices. Besides, the German authorities and trade syndicates took measures in order to avoid the squandering of German goods and stocks on foreign markets, as a consequence of the low level of the German change. In directing the application of important price supplements on

export goods as a compensation for the low cost of the mark, the German authorities had an undiscussable argument by their statement that they would by all means avoid the spoiling of the foreign markets, as well as the reproach of "dumping." Nevertheless, certain goods that Germany was able to produce under especially favorable conditions, as, for example, wood furniture, have been sold at such low prices that Switzerland, for instance, was obliged to prohibit altogether the importation of German furniture in order to preserve the inland wood industries from complete ruin.

In the meantime, the high profits from export price supplements that went altogether into the pockets of the German manufacturers, together with the high cost of living, have brought about such an increase of wages, that the cost price of most German products has reached a level which causes the spectre of German competition to gradually vanish on the neutral markets.

The same developments had, naturally, their influence upon the German industries as suppliers of the foreign markets. We do not think it necessary to give a detailed account of the different phases of the German export trade policy from November, 1918, up to date. In this domain, as well as in others, the occurrences have often been surprises and they have muddled up a good many speculations. During the war, a large number of German industries had made, for instance, provisions for handling the export markets through settlements in neutral countries. All these preparations have become quite useless, since the foreign buyers came again to the Leipzig fair and since the high exchange of the neutral markets hampers their export trade. The difficulties of the money market impeded also the emigration of

those German manufacturers who thought it impossible to continue working in Germany under the new labor conditions.

Undoubtedly, the German industries had to overcome great difficulties after the war: change from war to peace work, occupation of their former workmen in spite of lack of work and materials, unreasonable financial and political claims of the workmen and employes, strikes, general unsteadiness and want of a straightforward policy in home and foreign politics. The first months following the revolution have certainly caused most German industries enormous losses, the daily loss from insufficient production increasing with the number of hands. Most of these industries may have stood the losses only because of the secret reserves accumulated during the war.

As soon as the internal situation in Germany was sufficiently calmed down to think of regular work, the industries were overwhelmed with such a flood of inland and foreign orders, especially for machinery, that within a few months many establishments were overcrowded with orders for several years. The limitless demand caused, naturally, an advance of prices which, towards foreign buyers, was further increased by the export supplements introduced by the German authorities and trade syndicates. For the foreign buyer it was, of course, not pleasant to know that he had to pay for German machinery four or five times the inland price, the more as export prices were fixed quite arbitrarily. Besides, some German manufacturers ventured to double or treble their prices by instalments, before delivery, and the foreign buyer had to submit if he did not prefer to abandon the contract price already paid for. The reproach of these illegal proceedings ought not

to be generalized, but they seriously damaged the good moral reputation of German industry in many foreign markets. Since complaints about indignant impositions on the part of German contractors have been exposed in the foreign press, the German authorities and trade organizations have endeavored to improve the moral standard of their export trade, which standard had become somewhat slack as a consequence of the general demoralization brought about by the war. As a consequence, for some time, the complaints of unfair dealings with foreign buyers have become less frequent.

From the beginning of the renewed trade relations, the legal regulations on export trade have been a constant source of difficulties. These regulations have never been adapted to the actual requirements of the export industries and by their lack of clearness and common sense caused only confusion and irritation among the foreign buyers. Better and more practical methods were brought into the regulation of export trade only when the German government, conscious of its utter inability, entrusted the different trade syndicates with the regulation of the export trade of their respective branches. Thus, some of the regulations had the chance of being issued by competent men.

The compulsory control of the export trade of all industries by their respective trade syndicates had the good effect of imposing more or less uniform export prices, and of keeping these prices on a high level. Under the protection of this system, German manufacturers or export trades have reaped enormous profits that make more than good for the war and after-war losses. Several leading members of German industrial firms have been heard uttering the opinion that the most serious con-

sequences to the German economic structure brought on by the war might be overcome within perhaps five years, if only people would return to work the same as before the war.

The tide of high prices prevails not only for export trade, but also for the inland market. The German cotton spinning-mills, for instance, realize astonishingly high profits, in spite of their working with only about one-third of their spindles.

These easy profits, however, cannot deceive us about the dangers of the actual crisis which is already in sight. It has already been pointed out that the high export profits have enabled most German industries to follow the claims of their workmen on account of the high cost of living. This constant increase of wages, however, has brought the cost of production up to a level where a crisis is unavoidable as soon as the market slackens. This crisis has already thrown its shadows upon some branches of the machinery industry, since the foreign buyers have become more cautious. For many articles of German manufacture, the cost prices have reached a level that seriously cuts their chances on foreign markets. Many German industries would, therefore, be glad to export their production at inland prices, in order to secure work for their workmen, without thinking or speaking of export "supplements." Most likely, the crisis will become more and more acute, as the old orders which carried good profits become exhausted.

#### PROBLEMS OF INDUSTRIAL PRODUCTION

The present conditions of German industrial production are not favorable at all. Without counting the transitory difficulties, such as change of production, political troubles, lack of foreign materials, crisis of railway

transports, etc., the German industries have to face the following problems:

(1) General shortage of production of 20 per cent as a consequence of being unprepared for the introduction of the eight-hour day.

(2) A further deficiency of production of from 20 to 40 per cent owing to bad work or a lack of efficiency of the workmen.

(3) The scarcity of qualified workmen, without good prospects of a satisfactory rising generation.

(4) The deficiency of several thoroughly trained engineers for the completion of the technical staff.

(5) The general labor question.

The general prospects of German industry are, therefore, not simply a question of exports, prices, or wages, but a question of productivity, and in this connection, a question of *the entire moral orientation of the German nation*. This is the nucleus of the whole question, which is, besides, not only a German, but a universal problem towards the solution of which all nations ought to lend a helping hand.

As regards productivity, we have already given some figures about the deficiency, the bearing of which will strike anyone who has a notion of economics. In order to make good for the damages of the war, Germany ought to work, *i.e.*, to produce more than ever, but instead, the eight-hour day has come to reinforce the nefarious effects of the other sources of deficiency. The realization of this old dream of the social democracy, under the cover of the revolution in Germany, need not surprise us, but it is less easy to understand why the other nations blindly followed the fashion. The termination of the war had certainly brought the labor questions up with increased tension, but instead of going thoroughly into the question and facing the problem with all its material and

moral aspects, the eight-hour day has been thrown as a soothing potion to the excited masses, without thinking further of the possible consequences of a measure for which we were so unprepared. We need not be surprised, therefore, if the eight-hour day did not reduce the social tension; it has instead paralyzed the resources of government and industry for the realization of much more important social reforms.

#### PRODUCTION AND THE EIGHT-HOUR DAY

Whoever makes inquiries of German industries has only one and the same opinion: that the maintenance of the eight-hour day is impossible if Germany and Europe are to recover from the ruin of war. Besides, the same opinion prevails among the industries of most other European countries.

Without being averse on principle to the eight-hour day, we find that the objections of the opponents are worthy of consideration, for such an incisive change in the conditions of productivity ought not to be introduced without previous and gradual preparation of the means of production, lest it might bring more harm than profit. Besides, the old class of German workmen is not absolutely enthusiastic about the eight-hour day; a good many of them would like to work longer, if they were allowed to, for they do not know what to do with their spare time as long as they are packed in big cities. To the young class of workmen, on the other hand, even eight hours are too long, and they are already making preparations for claiming the six-hour day. At all events, the opponents of the eight-hour day are decidedly a minority among the German workmen and we can therefore not think of its abolition without a violent struggle.

Considering the widespread antagonism of the working classes in Germany toward voluntary work and their absolute lack of interest as regards the quantity and quality of their production as long as they work, considering further the helplessness of the old official socialism in front of the labor problem, from the point of view of political economy, we easily understand those German industrial producers who sum up the whole question by saying that *work, more work alone* can save Germany from utter ruin.

This sentence, quite true as it is, from a purely economical standpoint, demonstrates at the same time the utter helplessness of our age, as long as the solution of the pending difficulties is tried only with material means. From the point of view of national economy, the increase of production ought first to begin in the mining industry, for without more coal and more iron, an increase of productivity of the other industries in Germany is impossible. The production of coal and iron, however, does not depend only upon the attitude of the workmen in the mining districts, since Germany has lost some of her foremost mining districts. By this fact, one of the largest export industries of Germany, the iron, steel and machinery industry, has lost its own supplies of ore, without knowing yet on what terms it may be able to buy the necessary supplies from abroad.

#### MORAL FACTORS IN PRODUCTION

But without speaking further of the supply of raw materials the increase of productivity of German industries depends principally on the *spirit* in which the work is done. This statement leads us to the range of *moral factors*, the importance of which for the real and lasting prosperity of the nations has been too much neglected

during the last decades. In 1914, Germany had attained the culminating point of a most extraordinary industrial development which fascinated the whole moral forces of the nation. This industrial ascent was accompanied by an equally intense progress in technical science, in which Germany had moreover a leading position. The technical habit of thought became at last so widespread and incarnate in Germany, that it was reflected in all institutions; it found its expression in the precise function of all public administrations, in the perfect public order of the German towns, in the blameless function of public services, or briefly wherever there was an opportunity for "organizing." The whole German mentality had been focused on method and efficiency. The discipline that was cultivated in the minds of the masses by a very rigid military education fitted wonderfully into the mental note of the whole nation. The spiritual Germany of 1914 was a marvelous mechanism, driven by patriotism and material interest and destined to supply one sole product—the greatness of the state, personified by the emperor. The technical calculation of this mechanism proved to be perfectly exact, and it worked during the war under an enormous overload, until the final breakdown brought it to a definite stop.

In the whole outlay, only one important factor had not been taken into account: the free human soul, which alone knows how to tame the human beast. Germany sacrificed her whole interior life to materialism (for even technical progress, though necessary and quite honorable, is after all a means for furthering the progress of materialism, if it becomes the only ideal of life) and now, this materialism seems to take its revenge by following a law of nature; after devouring all

that was attainable, it devours itself by destroying the material resources of the nation.

Are we allowed to blame Germany for this development? I say No, as the fault of Germany was common to all nations, for we all suffer from a general atrophy of the human soul. The fascination of the rapid technical progress has been too great not to attract us all; the intense industrial development absorbed our minds so much that because of the care of the increase of productivity, we neglected the spiritual development of our own generation. This does not mean that nothing was done in social improvements; in social institutions and social laws, Germany was even ahead of most nations. In spite of the apparent social progress, however, the workman was interesting only as a means of production, and his sole value was his efficiency.

By knowing and pursuing only material interests, our comprehension of spiritual life has been stunted with that life itself; we have deprived our own generation of its highest privileges and brought up a class of men who turbulently put forth claims which we have not the means to concede. The social problems of today cannot be solved with money; it is a question of progressive evolution and therefore of spiritual education. This education, however, requires much time, and as we have so long neglected to do it in good time, the difficulties of the social problems are now all the greater.

Germany was not alone by any means in committing the mistake of unbridled materialism; it was common to us all. One glance, however, upon the interior discord of Germany may give us a conception of the whole extent of the difficulties. No parties or personalities dominate the occur-

rences or developments; they are all only shifted about by the events. The official socialism is done for, since the dogmas which it professed for forty years have proved to be unpractical or unrealizable. By reducing its whole activity to the domain of material claims, it has admitted its own voidness of spirit and signed the death sentence of the old theories. As a means for promoting evolution, socialism has done its service and is now going to die its natural death. A new conception of the social problems will have to bring forth new prophets and a new spirit if it has to act upon the masses.

As regards new theories, Germany has had her overflowing measure of them. We all remember, for instance, the countless projects of "socialization," without any unmistakable definition of that innovation ever being given. Fortunately, the socialistic administration of the empire has in the meantime furnished sufficient proof to persuade the most fervent socialists that the interference of a disorganized state with industry is identical with disorder and dissipation of public money, without any profit to the workmen. However, the communistic influences are still very active in Germany, and as the greater part of the German workmen are infants in their understanding of political economics, the German industry has not yet overcome its last troubles.

At present, the state of things is such that the ferocious solidarity of the workmen pushes the employers towards the utmost limits of financial concessions, without securing afterwards any compensation in the sense of an increased or improved production. These constantly repeated wage fights create an atmosphere of bitterness, and since the fight has been transferred exclusively into the material domain, the two parties face each

other with an alarming incapacity for comprehending the true nature of the problems for which a solution ought to be searched in common.

#### FACTORS IN SOLVING THE LABOR PROBLEM

The feeling of discontent that haunts the German workmen and which will push them periodically to new excesses, may be dulled with money temporarily, but it will always come again with increased force as long as there is no means of gaining an influence on the moral nature, the spiritual life of each individual. The German industrial manager will, therefore, have to assume the heavy task of a tedious moral education of his workmen, if he does not wish to see the efforts of his life annihilated by the brutal force of primitive instincts. The salvation of material interests is, besides, not adequate to the greatness of the task, which can only be undertaken out of a feeling of human solidarity, which sees in the workman a fellow man and in his faults a consequence of the late events and of a deficient education.

In formulating this proposition, by no means do we think of moral sermons which should educate the German workman to modesty. First of all, the well-to-do classes must arrive at a better understanding of social problems and of their duties towards their fellow men. An influence upon the workman can be gained not by sermons, but by improving his conditions of life. The German workman in big towns suffers from a mental devastation which is brought about partly by the miserable conditions of lodging and living, and partly by the senseless work on machinery. During the period of German industrial development, the big centers have grown too rapidly to allow of thinking of a better system of lodging the workmen than in

big barracks. On the other side, the workman who lives in a dirty and noisy barrack has no sense of a home, and the big town abolishes at the same time his taste for nature. Both sensations—the sense of home and the contact with nature—are indispensable to the German heart, if the whole mental life shall not become impoverished and degenerate. German industry has to face mental degeneration among the workmen to such an extent, that the scattering of the big centers by the creation of sanitary garden colonies has become a most urgent necessity. But unfortunately, the workmen seem to have barred the way to this essential improvement by the eight-hour day and the consequently excessive cost of building.

A further task of modern times may be seen in a better mental education of the coming generations of workmen. It will not do just to fill the schoolboys with scholastic science, but their hearts must also be educated, their judgment must be developed and their minds widened for spiritual interests outside of their profession. Otherwise, the workman will get to hate more and more the monotony of working with the most perfectly automatic machines.

A fair conception of political economics should persuade him of the necessity for the formation of capital for industrial purposes, as well as of the necessity of personal initiative and independence to technical, industrial and human progress. He will then cease to see his foe in his employer or in the capital that makes his industry live and he will no more follow catchwords, such as "socialization," that are void of common sense.

At the same time, innovations of practical importance, such as a modification of the legislation in favor of the community respecting the right of inheritance might persuade him of the

sincere wish of the possessing classes to arrive gradually at a state of better social justice, and a more efficient one than the theories of the socialistic agitators.

The first steps in that direction have already been made in Germany, for instance by the publication of a special paper for the workman by the management of a big establishment. In this paper, subjects regarding organization, management and finance are treated with an astonishing frankness, and contributions from the workmen are solicited and paid for. Further, the newly established popular universities in several German towns are well attended by students of the working classes.

By trespassing to such an extent on the labor question, we seem to have abandoned our original theme. We thought it necessary, however, to throw some light upon the present aspect of the labor question in Ger-

many. It is of the utmost importance for the further developments of German industry, for every one to get a true insight into the present conditions of that industry.

There is a call for all nations who are anxious to avoid the destructive effects of Bolshevism in its different forms and names to turn away from materialism, returning to the great ideals of humanity through the furtherance of spiritual life. Hitherto, Germany did not lend her ear to the seductive proposals of Russian Bolshevism. In recognition of this, and also because the German people contain the elements that will make the German nation a useful and appreciable member of the society of nations, Germany deserves, in spite of the errors and faults of her politicians, to be helped morally and materially, in her struggle against her manifold difficulties, by all those who believe in the final victory of humanity over manslaughter.